

Message Text

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ACTION COM-08

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E.O. N/A

TAGS: BDIS, YO

SUBJECT: PHILIPP BROTHERS, DIV. ENGELHARD MINERALS AND CHEMICALS
CORP.

REF: STATE 13151

1. EMBASSY MET WITH COUNSELOR FOR AMERICAN AFFAIRS IN YUGOSLAV
CHAMBER OF ECONOMY STEVAN ZEC REGARDING PHILIPP CONTRACT WITH JUGO-
METAL FOR PIG IRON. ZEC SAID THAT CHAMBER CANNOT INTEVENE IN ANY
WAY, AND THAT MATTER MUST BE SETTLED DIRECTLY BETWEEN PARTIES OR
BY LEGAL ACTION.

2. WE HAVE SPOKEN DIRECTLY WITH MILENKO KOVACIC, DIRECTOR FOR
INTERNATIONAL AFFAIRS, JUGOMETAL, EMPHASIZING EXCELLENT REPUTATION
OF ENGELHARD AND NEED FOR REASONABLE SETTLEMENT. KOVACIC, FULLY
FAMILIAR WITH PROBLEM, ACKNOWLEDGED EXISTENCE OF 1972 CONTRACT
AND EXPRESSED DESIRE TO ARRIVE AT AMICABLE SOLUTION. HE SAID
JUGOMETAL COULD NOT MAKE DELIVERIES IN 1973 BECAUSE OF INSUR-
MOUNTABLE PROBLEMS SUCH AS SEVERAL RAIL STRIKES IN ITALY
LAST SUMMER WHICH PREVENTED PRODUCT FROM GOING OUT. DURING SAME
PERIOD, HE SAID, PRICE OF COKE WHICH JUGOMETAL MUST IMPORT WENT
UP FROM 25 TO 60 DOLLARS PER TON AND ELECTRICITY COSTS INCREASED
SHARPLY. ON ACCOUNT OF THESE DIFFICULTIES, KOVACIC SAID THAT
SMEDEREVO WAS REQUIRED TO STOP PRODUCTION LAST SUMMER. HE SAYS THEY
HAVE RESUMED PRODUCTION, BUT WORLDWIDE PRICES HAVE SINCE SKY-
ROCKETED TO \$120 PERTON.

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3. KOVACIC SAYS THAT JUGOMETAL ANXIOUS TO ARRIVE AT COMPROMISE AGREEMENT WITH PHILIPP, BUT INSISTS IT IS IMPOSSIBLE TO DELIVER AT PRICE CONTAINED IN NOV. 1972 CONTRACT. HE SAID HE HAD MEETINGS ABOUT A MONTH AGO WITH ENGELHARD REPS IN VIENNA. AT THAT TIME, HE REPORTS, JUGOMETAL WAS PREPARED TO MAKE DELIVERY AT \$85 PER TON. HE SAYS THAT UNFORTUNATELY THIS WAS UNACCEPTABLE TO PHILIPP. KOVACIC SAID HE HAS BEEN IN CONTACT WITH A MR. JESSON OF PHILIPP AND MR. KOPPELMAN OF LONDON OFFICE OF ENGELHARD.

4. JUGOMETAL WOULD NOT SAY DEFINITELY WHAT ITS CURRENT PRICE IS, ALTHOUGH IT IS LIKELY TO BE AT LEAST \$85 PER TON. KOVACIC SAID HE WOULD WELCOME VISIT OF REPRESENTATIVES OF PHILLIP FROM FEBM 5-10, OR POSSIBLY AN EARLIER DATE. HE ASKED THAT PHILIPP ADVISE DATES OF PROPOSED VISIT.

5. KOVACIC SAID HE IS WELL AWARE OF FINE REPUTATION WHICH ENGELHARD ENJOYS INTERNATIONALLY, BUT GAVE NO INDICATION OF READINESS TO COME DOWN SIGNIFICANTLY IN PRICE. JUGOMETAL WAS SERIOUSLY AFFECTED BY UNEXPECTED SITUATIONS WHICH AROSE AFTER CONTRACT WAS SIGNED, HE REITERATED.

6. EMBASSY READY TO ASSIST AND ADVISE PHILIPP REPRESENTATIVES. JOHNSON

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